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## Vietnam

### Grain and Feed

### January Rice Update

2004

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**Report Highlights:** Vietnam's 2003 rice exports are estimated at 3.87 million metric tons (mmt), an increase of 18 percent compared to last year. However, Vietnam's 2004 rice exports will be lower, perhaps 3.5 mmt, due to an expected drop in (Government-controlled) demand from Indonesia and the Philippines. This report also includes Vietnam's 2003 rice trade data (by grades and markets) and revised PS&D estimates.

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Includes PSD Changes: Yes  
Includes Trade Matrix: No  
Unscheduled Report  
Hanoi [VM1]  
[VM]



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## PRODUCTION

### Vietnam's 2003 Summer-Autumn (S-A) rice production is revised up.

Post revises Vietnam's 2003 S-A rice production up to 8,605 thousand metric ton (tmt) due to an increase in rice planted area. The S-A area expansion was mainly in the Mekong River Delta (MRD) as good domestic paddy prices encouraged farmers to grow more late S-A rice (the S-A rice crop in the MRD includes early, main and late season S-A rice). The total S-A rice area in the MRD was around 1,900 thousand hectares (tha), higher than our previous estimate of 1,850 tha. The increase of the late S-A rice area was in key rice producing regions such as An Giang, Dong Thap and Can Tho provinces.

Vietnam's 2003 paddy production is revised to 32,617 tmt due to higher the S-A paddy production.

### Vietnam's 2003/04 Lua Mua ('Tenth Month') crop.

According to the Ministry of Agricultural and Rural Development (MARD), farmers in the Northern provinces completed harvest of the 2003/04 Lua Mua crop in late November 2003. The Lua Mua crop area in the Northern provinces was estimated at 1,240 tha, a decrease of 72 tha compared with last year. Reportedly, thousands of hectares of Lua Mua rice in some of the Red River Delta (RRD) provinces, including Thai Binh, Nam Dinh and Hai Duong, were destroyed by heavy rains in September. Moreover, drought and dry weather caused some decrease in the Lua Mua rice area in the North Central regions.

As of December 25, 2003 about 68% of planted Lua Mua rice was harvested in Southern provinces. The MARD data indicates that the total 2003/04 Lua-Mua area in the South is estimated at 863 tha, a slight reduction of 48 tha compared with the last year due to some land shifting into aquaculture (shrimp production).

Post revises Vietnam's 2003/04 Lua Mua areas down to 2,103 tha from our previous estimate of 2,153 tha.

### Vietnam's 2004 Winter-Spring (W-S) rice crop.

Post estimates Vietnam's 2004 W-S rice area at 2,995 tha, a slight reduction compared with the last crop due to some crop diversification in Northern provinces (see table 1).

**The W-S is planted in the South.** A MARD report shows that, as of December 25, 2003, in Southern provinces around 1,612 tha of the W-S rice was planted of which 1,421 tha was in the MRD. According to the MARD report, Southern provinces planned to grow about 1,890 tha of W-S rice, of which 1,500 tha is in the MRD. While some farmers are planting, other MRD farmers are harvesting early W-S rice. About 586 tha of the early W-S rice was harvested as of December 25, 2003, with good yields. Despite the small early harvest, the W-S peak harvest time normally falls in March-April.

The Northern provinces are expected to grow about 1,176 tha of W-S rice, with most of the planting occurring in February-March. However, farmers in some Northern regions may be unable to fulfill their plans due to lack of irrigation water. Given the drought, some farmers may have to switch some of the planned W-S land into other crops.

**Table 1: Vietnam rough rice areas, yields and productions (revised January 2004)**

	2002		2003		2004	
Harvested Area (tha)	Old	New	Old	New	Old	New
Lua Mua (10th month)	2,243	2,243	2,170	2,170	2,153	2,103



Winter-Spring	3,004	3,004	3,000	3,000	3,000	2,995
Summer-Autumn	2,092	2,224	2,235	2,300	2,150	2,250
TOTAL	7,339	7,471	7,405	7,470	7,303	7,348
Yield (mt/ha)						
Lua Mua (10th Month)	3.58	3.58	3.74	3.74	3.73	3.73
Winter-Spring	5.19	5.19	5.20	5.20	5.24	5.24
Summer-Autumn	3.68	3.71	3.85	3.87	3.85	3.85
TOTAL	4.27	4.27	4.36	4.37	4.39	4.38
Production (tmt)						
Lua Mua (10th Month)	8,030	8,030	8,116	8,116	8,031	7,844
Winter-Spring	15,591	15,591	15,600	15,600	15,720	15,694
Summer-Autumn	7,699	8,251	8,605	8,901	8,278	8,663
TOTAL	31,319	31,872	32,321	32,617	32,028	32,200

Post revises Vietnam's 2004 paddy production to 32,200 tmt from previous estimate of 32,028 tmt as a larger S-A crop is expected.

## PRICES

(Vietnam Dong (VND) VND 15,667 equal to \$1 as of January 16, 2004)

### Domestic prices

**In Northern provinces**, paddy prices are stable at VND 2,100-2,400/kg in early January 2004. The prices of ordinary rice are quoted at VND 3,300-3,500/kg.

In recent (November – December), paddy prices in Northern provinces increased slightly by VND 100-300/kg due to tight supplies as the Lua Mua rice production was lower than expected. Moreover, the rice flow from MRD to the North was also limited because of the tight rice supplies in the South.

**In the MRD**, paddy prices are firm at high level of VND 1,900-2,000/kg due to limited supplies.

### Export prices

As of January 15, 2004, rice export prices are quoted as follows: 5% broken rice: \$189/mt; 10% broken rice: \$186/mt; and 25% broken rice: \$174/mt (for more details, pls. see VM 4001)

## TRADE

### Vietnam 2003 rice exports

Vietnam's 2003 rice export is estimated at 3.87 mmt of which 2.3 mmt (or 59%) was shipped to Asian countries. Indonesia was the biggest importer of Vietnam's rice (about 837 tmt), followed by the Philippines (499 tmt) and Iraq in third place with an import quantity of 336 tmt (see table 2).

African countries were also important markets for Vietnam's rice. In 2003, Vietnam exported around 800 tmt of rice to African countries, such as Ghana, Tanzania, and Rwanda.

Other markets for Vietnam's rice included European countries (Russia, Poland), Cuba and Australia.



**Quantity of export rice:** about 30% of the total 2003 rice export was 5% broken rice while 25% was 15% broken rice. The exports of 25% broken rice was about 21%.

**Table 2: Vietnam 2003 rice exports by grades and destinations (unit: metric tons)**

	5%	10%	15%	25%	100%	Glutinou s	Jasmine	Unknown	Total
<b>ASIA</b>	<b>717,874</b>	<b>118,918</b>	<b>759,405</b>	<b>510,198</b>	<b>2,107</b>	<b>22,599</b>	<b>1,709</b>	<b>211,146</b>	<b>2,343,956</b>
In which: Indonesia	61,379	40,080	498,377	77,481	2,107	8,447	1,373	147,809	837,053
Philippines	61,796	9,968	53,690	357,541	-	1,292	-	15,457	499,744
Malaysia	149,694	31,970	65,571	61,366	-	3,340	-	17,475	329,416
Singapore	19,960	13,650	82,068	12,293	-	7,920	336	-	136,227
East Timor	120	3,600	19,653	892	-	-	-	-	24,265
Iraq	336,516	-	-	-	-	-	-	-	336,516
Iran	69,993	-	-	-	-	-	-	-	69,993
Syria	12,751	-	-	-	-	-	-	-	12,751
Yemen	-	-	-	-	-	-	-	-	-
North Korea	-	-	-	-	-	-	-	-	-
Japan	4,915	-	35,046	-	-	-	-	-	39,961
Cambodia	-	-	-	-	-	-	-	-	-
Hong Kong	-	-	-	-	-	-	-	-	-
Others	750	19,650	5,000	625	-	1,600	-	30,405	58,030
<b>AFRICA</b>	<b>420,417</b>	<b>29,919</b>	<b>156,371</b>	<b>62,150</b>	<b>120,891</b>	<b>-</b>	<b>2,200</b>	<b>9,111</b>	<b>801,059</b>
In which: Tanzania	37,032	-	3,000	-	-	-	-	-	40,032
Senegal	4,725	6,050	7,075	-	60,412	-	500	-	78,762
Angola	7,000	16,041	-	-	-	-	-	-	23,041
Rwanda	-	1,500	7,000	1,500	-	-	-	-	10,000
Ghana	76,214	-	-	-	-	-	-	-	76,214
Others	295,446	6,328	139,296	60,650	60,479	-	1,700	9,111	573,010
<b>EUROPE and CIS</b>	<b>12,342</b>	<b>53,301</b>	<b>8,000</b>	<b>-</b>	<b>2,000</b>	<b>-</b>	<b>-</b>	<b>8,700</b>	<b>84,343</b>
In which: Russia	10,429	46,731	8,000	-	-	-	-	-	65,160
Ukraine	-	570	-	-	-	-	-	-	570
Poland	-	6,000	-	-	-	-	-	-	6,000
Others	1,913	-	-	-	2,000	-	-	8,700	12,613
<b>AMERICAS</b>	<b>22,396</b>	<b>-</b>	<b>38,200</b>	<b>261,856</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>322,452</b>
In which: Cuba	-	-	38,200	261,856	-	-	-	-	300,056
Brazil	22,060	-	-	-	-	-	-	-	22,060
<b>AUSTRALIA</b>	<b>5,886</b>	<b>200</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>586</b>	<b>12,134</b>	<b>18,806</b>
<b>UNKNOWN</b>	<b>4,679</b>	<b>29,715</b>	<b>9,610</b>	<b>11,863</b>	<b>14,725</b>	<b>-</b>	<b>3,828</b>	<b>224,974</b>	<b>299,394</b>
<b>TOTAL</b>	<b>1,183,594</b>	<b>232,053</b>	<b>971,586</b>	<b>846,067</b>	<b>139,723</b>	<b>22,599</b>	<b>8,323</b>	<b>466,065</b>	<b>3,870,010</b>

**Source:** Trade Contacts; data compiled by Post

### Vietnam's 2004 rice exports

Several sources said that, as of 29-December-2003, Vietnam has signed export contracts of more than 1.0 mmt – with 400 tmt to Iraq, 72 tmt to the Philippines and 150 tmt to Brazil. The rice shipments are scheduled for the first quarter of 2004. However, rice exporters are hesitating to sign any additional export contracts due to low supplies.

Vietnam's 2004 rice exports to traditional markets will face some constraints due to changes in rice import policies set by key rice importing countries including the Philippines and Indonesia.



The Government of Indonesia (the biggest market for Vietnam's rice importer in 2003) has announced a ban on rice imports with immediate effect from January 20, 2004. The ban may last until this May when their rice harvest season is ending. Indonesia, probably, will not import any rice if their domestic rice production is 0.7% higher than last year's production level.

In the Philippines, the government also released a plan to reduce 2004 rice imports down to 600-700 tmt from the 1.4 mmt imported in 2003 because of increasing domestic production. On the other hand, in 2004 the Philippines will also terminate their policy on government-to-government rice purchases.

Post estimates Vietnam's 2004 rice exports at 3.5 mmt, a slight decrease compared with 2003's level (see PS&D table).

**Table 3: Vietnam Rice PS&D table**

PSD Table						
Country	Vietnam					
Commodity	Rice, Milled				(1000 HA) (1000 MT)	
	Revised	2002	Preliminary	2003	Forecast	2004
	Old	New	Old	New	Old	New
Market Year Begin		01/2002		01/2003		01/2004
Area Harvested	7,471	7,471	7,405	7,470	7,303	7,348
Beginning Stocks	843	843	1,168	1,168	1,000	1,025
Milled Production	21,036	21,035	21,332	21,527	21,139	21,252
Rough Production	31,872	31,872	32,321	32,617	32,029	32,200
MILLING RATE (.9999)	6,600	6,600	6,600	6,600	6,600	6,600
TOTAL Imports	20	20	0	0	0	0
Jan-Dec Imports	20	20	0	0	0	0
Jan-Dec Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	21,899	21,898	22,500	22,695	22,139	22,277
TOTAL Exports	3,100	3,230	3,700	3,870	3,500	3,500
Jan-Dec Exports	3,100	3,230	3,700	3,870	3,500	3,500
TOTAL Dom. Consumption	17,500	17,500	17,850	17,800	17,850	17,850
Ending Stocks	1,299	1,168	950	1,025	789	927
TOTAL DISTRIBUTION	21,899	21,898	22,500	22,695	22,139	22,277

## POLICY

**Rice farmers are encouraged to consign paddy to rice exporters' warehouses.** On December 12, 2003 the Government issued official letter No.6177/VPCP-NN instructing relevant agencies (including the MARD, MOT, Ministry of Planning, State Bank of Vietnam and rice exporters) to work on a paddy rice consignment program. Accordingly, farmers in rice exporting region (MRD) are encouraged to consign their paddy to rice exporters' warehouses for better prices. The program aims to stabilize domestic paddy prices, to help farmers avoid low prices right after the harvest, and to ensure a stable rice stockpile for exports.

MARD is proposing that the paddy consignment plan be implemented in 2004 and 2005, and be carried out in three MRD's key rice producing provinces, e.g. An Giang, Tien Giang and Can Tho. The province's peoples committee will select qualified rice exporters for the



program. Only rice exporters who have qualified warehousing systems and healthy financial status can join the program. The paddy-consigned farmers can use their stored paddy as a guarantee for borrowing money from banks with an interest rate exemption for 6 months. Post will follow up how the system will work (assuming any farmers can figure-out this plan).

The MOT is also reportedly working with Vietnam's Food Association (Vietfood) and rice exporters to update the 2004 rice exports management plan. The changes will focus mainly on encouraging rice exporters to find more direct export contracts and highlighting Vietfood's role on the rice export management (in other words trying to make sure domestic supplies match export contracts, but also ensuring the domestic rice price does not rise too much – supply & export management).